WUTC DOCKET: UE-200900 UG-200901 UE-200894
EXHIBIT: BAE-1T
ADMIT ☑ W/D ☐ REJECT ☐

Exh. BAE-1T
Dockets UE-200900, UG-200901,
and UE-200894
Witness: Betty A. Erdahl

BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION, **Complainant,** **v.** **AVISTA CORPORATION, d/b/a AVISTA UTILITIES,** **Respondent.**	**DOCKETS UE-200900, UG-200901, and UE-200894 (*Consolidated*)**

TESTIMONY OF

Betty A. Erdahl

STAFF OF
WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION

Adjustments 3.03 E-ARAM & 3.03 G-ARAM
Recommendation Regarding AFUDC Equity Portion Deferral
New Tariff Schedules 76 Electric and 176 Natural Gas to Refund Deferred Taxes and AFUDC Equity Portion Deferral

April 21, 2021

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I. INTRODUCTION

Q. Please state your name and business address.

A. My name is Betty A. Erdahl, and my business address is 621 Woodland Square Loop SE, Lacey, Washington, 98503. My business mailing address is P.O. Box 47250, Olympia, Washington, 98504-7250. My business email address is betty.erdahl@utc.wa.gov.

Q. By whom are you employed and in what capacity?

A. I am employed by the Washington Utilities and Transportation Commission (Commission) as a Regulatory Analyst in the Energy Section of the Regulatory Services Division.

Q. How long have you been employed by the Commission?

A. I have been employed by the Commission since June 1991.

Q. Please state your qualifications to provide testimony in this proceeding.

A. I graduated from Washington State University in 1988 with a Bachelor of Arts degree in Accounting. I have also completed relevant coursework such as the "Basics of Regulation" offered by New Mexico State University; Rate Making Process Technical Program; USTA class on Understanding Separations, Access Charges, and Settlements; and Utility Ratemaking: The Fundamentals and the Frontier. Before joining the Commission in June 1991, I worked for two years as an accountant in the financial sector.

Q. Have you testified previously before the Commission?

A. Yes. I testified on behalf of Commission Staff (Staff) in Docket TG-920090, regarding affiliated interests of Waste Management, Inc.; Docket UT-950200, regarding a general rate case of US WEST Communications, Inc.; Docket UT-970066, regarding payphone access line rates of Toledo Telephone Company; Docket UT-020406, a complaint by AT&T Communications of the Pacific Northwest, Inc. against Verizon Northwest Inc. regarding access charge rates; Dockets UE-111048/UG-111049, regarding a general rate case of Puget Sound Energy (PSE); Docket UE-130043, regarding a general rate case of Pacific Power & Light Company (Pacific Power); and Dockets UG-152286, UG-170929, and UG-190210 regarding the proposed settlements of Cascade Natural Gas Corporation's (CNGC's) general rate cases.

I also prepared testimony in Dockets UE-170033/UG-170034, regarding investor supplied working capital in a general rate case of PSE; Dockets UE-140188/UG-140189, regarding a general rate case of Avista Corporation d/b/a Avista Utilities ("Avista" or "Company"); Docket UT-040788, regarding a general rate case of Verizon Northwest Inc.; Docket UT-051291, regarding affiliated interest contracts, overall earnings review, and provision of a quality of service guarantee program in the Sprint spin-off of its local exchange companies; Docket UT-082119, regarding retention of pre-merger settlement provisions, a requirement to offer a quality of service guarantee program, and affiliated interest reporting in the CenturyTel/ Embarq merger case; and Docket UE-140762, et al., regarding a general rate case of Pacific Power, including an adjustment to investor supplied working capital (ISWC).

II. SCOPE AND SUMMARY OF TESTIMONY

Q. What is the scope and purpose of your testimony?

A. The purpose of my testimony is twofold. First, I address elements of this general rate case affected by the Commission order granting Avista's accounting petition in Dockets UE-200895 and UG-200896 and authorizing flow-through treatment of certain unprotected assets,[1] resulting in $86.3 million[2] of tax benefits available for refund to Washington customers. Specifically, I present:

1. Staff's electric Adjustment 3.03 E-ARAM and natural gas Adjustment 3.03 G-ARAM, which remove accumulated deferred federal income tax (ADFIT) and excess deferred income tax (EDIT) amounts from base rates for assets that are now classified as unprotected; and
2. Staff's recommendation for how, and over what timeframe, those unprotected ADFIT and EDIT amounts should be returned to customers.

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[1] *In Re Petition of Avista Corporation for an Accounting Order Approving Accounting Change to Flow-Through Method for Regulatory Purposes for Federal Income Tax Expense Associated with Industry Director Directive No. 5 and Meters; and Defer Benefits Associated with the Change in Tax Expense and Future Annual Benefits*, Dockets UE-200895 and UG-200896, Order 01 (March 11, 2021).

[2] Krasselt, Exh. RLK-2 at pages 1-2. The system wide amount is approximately $150.8 million.

Second, I address a $3 million deferral balance resulting from the Commission decision to grant Avista's accounting petition in Dockets UE-190074 and UG-190075.[3] Due to a required accounting change regarding allowance for funds used during construction (AFUDC), the level of tax expense embedded in rates was rendered too high and thus was deferred for later return to customers. I propose an approach for refunding to customers the $2.3 million electric deferral and the $0.7 million natural gas deferral.

Q. Please summarize your recommendations.

A. First, I recommend revising Avista's electric Adjustment 3.03 E-ARAM and natural gas Adjustment 3.03 G-ARAM to remove from the average rate assumption method (ARAM) calculation the ADFIT and EDIT amounts now classified as <u>unprotected</u>. The effect of this adjustment to net operating income (NOI) is a <u>reduction</u> of $16,000 for electric operations, and an <u>increase</u> of $46,000 for natural gas operations. The effect on the proposed revenue requirement is an <u>increase</u> of $21,000 for electric, and a <u>reduction</u> of $61,000 for natural gas. These revenue requirement impacts will be discussed further in my testimony.

Second, I recommend the Commission order Avista to return the reclassified balances to customers on separate tariff schedules over one year for unprotected EDIT and over the life of the underlying assets for unprotected ADFIT. The

[3] *In the Matter of the Petition of Avista Corp for an Accounting Order Approving Deferred Accounting for its Calculated Allowance for Funds Used During Construction and its Associated Federal Income Taxes*, Dockets UE-190074 & UG-190075, Order 01 (May 7, 2020).

approximate life for IDD #5 is 34 years and the approximate life for meters is 15 years.

Finally, in addition to refunding the EDIT and ADFIT to ratepayers, I recommend Avista also refund the AFUDC equity portion deferral approved in Dockets UE-190074 and UG-190075. Together, these recommendations result in a credit on a residential bill of $2.81 for an electric customer with average usage of 914 kWh and a credit of $2.42 for a natural gas customer with average usage of 67 therms.

Q. Have you prepared any exhibits in support of your testimony?

A. Yes. I prepared Exh. BAE-2 through Exh. BAE-8.

Exh. BAE-2 shows a comparison of Staff's Adjustment 3.03 E-ARAM versus the Company's adjustment, and Exhibit BAE-3 shows the same comparison for Adjustment 3.03 G-ARAM.

Exh. BAE-4 is the Company's response to UTC Staff Data Request No. 38. It provides an updated estimate to the Company's ARAM adjustments and includes the impact of the Commission's approval of Avista's accounting petition requesting flow-through treatment of IDD #5 and meters. Staff's adjustments shown in Exh. BAE-2 and Exh. BAE-3 modify federal income taxes. These adjustments are included in operating expenses for electric and natural gas operations and are incorporated into Staff witness Joanna Huang's Exh. JH-2 and Exh. JH-3, respectively.

Exh. BAE-5 is Avista's response to UTC Staff Data Request No. 153, which calculates two different scenarios for rate Schedules 76 (electric) and 176 (natural gas), providing tax refunds to customer classes in two different ways. The first scenario refunds tax benefits based on equal percent of margin, and the second scenario returns tax benefits based on allocated rate base.

Exh. BAE-6 is Avista's response to AWEC Data Request No. 44, which identifies the amount of the AFUDC equity portion deferral available for refund to customers.

Exh. BAE-7 is Staff's calculation of the credit amount for year one, which includes EDIT, ADFIT, and the AFUDC equity portion deferral. EDIT and the AFUDC equity portion deferral are refunded over one year and ADFIT is refunded over the life of the underlying assets.

Exh. BAE-8 includes the schedules for the refunds based on Staff's recommendation. In this exhibit, Schedules 76 and 176 are calculated by spreading the refund amounts identified in Exh. BAE-7 based on allocated rate base.

III. DISCUSSION

A. Adjustments 3.03 E-ARAM And 3.03 G-ARAM

Q. Please explain Adjustments 3.03 E-ARAM and 3.03 G-ARAM.

A. The ARAM adjustments proposed by Avista are intended to adjust the test year levels of ADFIT and EDIT to reflect 2020 levels of those tax benefits. The adjustments use the required ARAM for amortizing ADFIT and EDIT related to <u>protected</u> plant.

Q. Why do amounts in Avista's ARAM adjustments need to be updated?

A. Because the adjustments do not reflect the Commission's March 11, 2021, approval of Avista's accounting petition in Dockets UE-200895 and UG-200896. As a result of the petition, Avista is able to use the flow-through method of accounting for ratemaking purposes and refund to customers $86.3 million of unprotected ADFIT and EDIT. Avista's as-filed Adjustments 3.03 E-ARAM and 3.03 G-ARAM need to be updated to remove the $86.3 million amount from its ARAM calculations for protected assets.

Q. Please summarize the purpose of the accounting petition authorized by the Commission in Dockets UE-200895 and UG-200896.

A. The purpose of the accounting petition was to allow flow-through treatment for certain capital expenditures that Avista had previously recorded to plant-in-service and to authorize deferred accounting treatment for the tax benefits resulting from the change. The practical effect of the reclassification is that IRS normalization rules no longer apply to the $86.3 million in ADFIT and EDIT associated with the underlying plant. Avista's accounting petition requested flow-through treatment for the $86.3 million in tax benefits, but also requested deferred accounting treatment to preserve the tax benefits for later return to ratepayers over a timeframe to be determined by the Commission.

Q. Can you provide a little more detail on the accounting change and how it conforms to the IRS code?

A. Yes. After consultation with the accounting firms Deloitte and Ernst and Young to assess Avista's eligibility for potential tax write-offs, Avista determined that two categories of assets that the Company previously had capitalized – IDD #5 and meters – were eligible to be expensed under Treasury Regulation 26 C.F.R. § 1.263A-1(f)(4).[4] On this basis, the IRS allows the flow-through accounting method, which the Company proposed to use for IDD #5 and meters.

Expenditures that are capitalized pursuant to Internal Revenue Code (IRC)[5] § 263A are protected assets subject to tax normalization accounting requirements. However, for tax purposes, the changes in accounting treatment have reclassified certain previous capital expenditures as expenses, which are now subject to

[4] Under Treasury Regulation 26 C.F.R. § 1.263A-1(f)(4), a utility may use any reasonable method to allocate costs among units of property produced or property acquired for resale during the taxable year.
[5] Title 26 of the United States Code.

adjustment under IRC § 481(a).[6] The flow-through treatment the Commission authorized when it granted Avista's petition essentially allowed Avista to recognize a substantial tax write-off for ratemaking purposes. However, in also authorizing deferred accounting treatment the Commission allowed Avista to record the associated tax benefits to a regulatory liability account so they could be returned to customers at a later time.

Q. Are IDD #5 and meters still capitalized for regulatory accounting and GAAP purposes?

A. Yes. However, the reclassification of these assets from protected to unprotected allows the Commission discretion with respect to how quickly the tax benefits should be returned to customers. The Commission can choose to return the tax benefits to customers more quickly, or it could choose to continue normalizing these benefits over the remaining lives of the underlying assets. The amount is available to offset any rate increase the Commission may authorize in this proceeding.

Q. How does the reclassification of these tax benefits from protected to unprotected impact Adjustments 3.03 E-ARAM and 3.03 G-ARAM?

A. The $86.3 million of reclassified ADFIT and EDIT needs to be removed from the ARAM calculations used for Adjustments 3.03 E-ARAM and 3.03 G-ARAM.

[6] When a taxpayer changes its accounting method, IRC § 481(a) adjustments are required to be made to prevent items from being duplicated or omitted.

In response to discovery, Avista provided updated Adjustments 3.03, which reflect the ARAM amortization amounts after removing the $86.3 million in reclassified amounts. I provide the updated Adjustments 3.03 E-ARAM and 3.03 G-ARAM as Exhibits BAE-2 and BAE-3, respectively. The effect of these adjustments to NOI is a decrease of $16,000 for electric, and an increase of $46,000 for natural gas. The effect on the proposed revenue requirement is an increase of $21,000 for electric, and a decrease of $61,000 for natural gas.

My Exh. BAE-2 and Exh. BAE-3 illustrate the difference between the Company's adjustments and Staff's proposed adjustments. The reason one ARAM adjustment is an increase and the other is a decrease is because Avista did not only remove IDD #5 and meters from the ARAM calculation, but also, in response to discovery, updated its 2020 estimated ARAM amounts.[7]

Q. Other than updating the ARAM calculation, does Staff agree with Avista's ARAM adjustments?

A. Yes.

B. New Tariff Schedules 76 Electric And 176 Natural Gas To Refund Deferred Taxes And AFUDC Equity Portion Deferral

Q. You explain above that there is $86.3 million in unprotected ADFIT and EDIT available to return to customers. How does this break down between ADFIT

[7] Erdahl, Exh. BAE-4, Updated Pro Forma ARAM Adjustments to Reflect Approved Accounting Petition – Avista Supplemental Response to UTC Staff Data Request No. 38.

and EDIT, and how do those amounts break down between electric and natural gas operations?

A. The breakdown of the $86.3 million is shown in Table 1, below.

Table 1 - EDIT and ADFIT amounts reclassified as unprotected for electric and natural gas operations.

Description	WA-Electric Grossed-Up (Rev. Req.)	WA-Gas Grossed-Up (Rev. Req.)	Total WA Grossed-Up (Rev. Req.)
Total EDIT	$(10,277,879)	$(4,829,898)	$(15,107,776)
Total ADFIT Estimated Balance 12/31/2020	(47,858,942)	(23,370,463)	(71,229,405)
Total EDIT and ADFIT Available for Refund	$(58,136,820)	$(28,200,361)	$(86,337,181)

Q. How does Avista propose to return the deferred taxes (ADFIT and EDIT) of $58 million to electric customers and $28 million to natural gas customers?

A. The Company proposes to use these amounts to offset any rate increase approved in this proceeding on new Schedule 76 for electric and new Schedule 176 for natural gas. Avista proposes to offset the rate increase for one and a half years for electric customers and two years for natural gas customers, with any remaining deferral amounts to be spread over the following ten years.

Q. Does Staff agree with the Company's proposal for crediting customers?

A. No. While Staff appreciates Avista's concern for customer bill increases, Staff believes the proper treatment of tax benefits is independent from the Commission's determination on rates in this proceeding. In Staff's view, the treatment for these tax benefits should conform to standard regulatory principles rather than expediency.

Q. What is Staff's recommendation regarding how to refund the tax benefits (ADFIT and EDIT) from the accounting petition?

A. As a preliminary matter, Staff recommends treating the amounts related to ADFIT and EDIT as separate amounts. As I explain below, EDIT represents taxes that were overpaid by past ratepayers while ADFIT represents benefits that should accrue to future ratepayers who pay for the underlying plant.

Regarding EDIT, Staff recommends the Commission order Avista to return the electric amount of $10.3 million and the natural gas amount of $4.8 million to ratepayers as quickly as possible (i.e., over one year).

Regarding ADFIT, Staff recommends that the Commission order Avista to return those amounts over the lives of the underlying assets (i.e., over approximately 34 years for IDD #5 and approximately 15 years for meters). For electric customers, this corresponds to an annual credit to customers of approximately $1.8 million (approximately $1.1 million is related to IDD #5 and approximately $0.7 million is related to meters). For natural gas customers, this corresponds to an annual credit of approximately $1.1 million (approximately $0.4 million is related to IDD #5 and approximately $0.7 million is related to meters).

Q. How does Staff recommend these amounts be returned to customers?

A. Staff recommends returning these amounts to ratepayers on separate tariff schedules – Schedule 76 for electric and Schedule 176 for natural gas.

Additionally, the credits should be spread based on the customer class allocated rate base because that is the basis for how it was collected from customers.

Exh. BAE-8 illustrates Staff's proposed Schedules 76 and 176, including the customer bill impacts.

Q. Why is it appropriate to return the amounts for unprotected EDIT over 12 months?

A. EDIT represents federal income taxes collected from Avista's customers that, due to the Tax Cuts and Jobs Act of 2017, Avista no longer owes to the IRS. That is, EDIT represents over-collection of taxes from *ratepayers in the past*. Therefore, to minimize intergenerational inequity – to attempt to return over-collected taxes to the customers that overpaid them – EDIT should be returned to customers as quickly as possible.

Q. Why is it appropriate to return the amounts for unprotected ADFIT over the lives of the underlying assets (i.e., approximately 34 years for IDD #5 and approximately 15 years for meters)?

A. Unlike EDIT, ADFIT does not represent over-collection of taxes from ratepayers in the past. Rather, ADFIT represents the tax benefits Avista has received by electing accelerated depreciation of its assets for tax purposes (or, as is the case here, by changing its treatment of IDD#5 and meters to an expense for tax purposes). However, IDD #5 and meters are still capitalized for regulatory purposes. And because straight line depreciation is used for ratemaking purposes – essentially allocating the cost of the asset to the ratepayers receiving the benefit of the asset over its useful life – ADFIT typically is returned to ratepayers over the life of the underlying asset. That is, ADFIT represents a tax benefit that *future customers* will receive in exchange for the depreciation expense those customers pay through rates. Returning ADFIT to ratepayers over the lives of the underlying assets (commonly called "normalization") upholds the matching principle[8] and is consistent with the fundamental regulatory principle of ensuring benefits follow burden.[9] Aligning the benefit with the burden by "normalizing" the return of ADFIT to the same customers who are also paying for the underlying asset (through depreciation expense) promotes intergenerational equity.

Q. Please describe the normalization and flow-through methods of accounting for federal income taxes for ratemaking purposes.

A. Federal income tax law allows a public utility company to recognize income or expense in time periods different from when the utility recognizes those items on its accounting records.[10] These timing differences create deferred taxes.

The flow-through method of accounting for income taxes uses the current year's tax liability to determine tax expense for ratemaking purposes. Under normalization, the tax expense in rates is spread out over the life of the underlying asset.

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[8] "The principle of matching requires that all cost of service components – revenue, investment, expenses and cost of capital – be evaluated at a similar point in time." *Wash. Utils. & Transp. Comm'n v. Avista Corp*., Dockets UE-090134 & UG-090135, Order 10. 41 ¶ 94 (Dec. 22, 2009).

[9] It is important to note that the amount of income tax expense is the same over the life of the asset under both the flow-through and normalization methods.

[10] A public utility's accounting records, or book income, are based on GAAP.

Q. Do normalization requirements affect the rate making benefits of flow-through accounting for tax purposes?

A. Yes, regulators can require flow-through treatment, but only for items that are not <u>protected</u> by the normalization requirements of the IRS. The impact of the normalization requirements lessens the overall effect of flow-through treatment, and for specific items, may cause fluctuations in taxes that will be reflected in the cost of service for ratemaking purposes. In addition, under the flow-through method, if a utility does not file annual rate cases, ratepayers could lose the rate impact of the tax benefits, or those benefits *may not* be recognized for ratemaking purposes. Under normalization, deferred tax benefits are preserved and reflected over the life of the underlying asset.

Q. Could the Commission decide to return the ADFIT amounts over a period of time shorter than the lives of the underlying assets?

A. Yes. However, as discussed above, passing back unprotected ADFIT more quickly than over the lives of the underlying assets is inconsistent with the matching principle as well as the fundamental ratemaking principles of promoting intergenerational equity and ensuring that benefits follow burden.

C. Staff's Recommendation To Refund The AFUDC Equity Portion Deferral Approved In Dockets UE-190074 And UG-190075

Q. Can you please summarize the issue of amounts owed to customers related to AFUDC?

A. Yes. In short, due to a change in how Avista calculates AFUDC for tax purposes, for a period of time the tax expense embedded in Avista's rates was too high and, as a result, there is a balance of over-collected taxes that is owed to customers.

Avista recognizes these amounts are owed to ratepayers. In 2019, the Company requested deferred accounting treatment for amounts over-collected through rates (which the Commission authorized).[11] However, Avista's direct case did not identify these balances or include a proposal to return these amounts to ratepayers.

Q. What amount has Avista identified as a regulatory liability that needs to be returned to ratepayers?

A. Avista has identified AFUDC regulatory liabilities owed to ratepayers of approximately $1.8 million for Washington electric operations and approximately $0.5 for Washington natural gas operations.[12] Avista has recorded these amounts to FERC Account No. 254319 – "Regulatory Liability AFUDC Equity Tax Deferral."

[11] Dockets UE-190074 and UG-190075, see note 3 above.
[12] Erdahl, Exh. BAE-6, Avista response to AWEC Data Request No. 44.

Q. What is AFUDC?

A. AFUDC is essentially the interest that accumulates on invested capital before a project goes into service (i.e., "during construction"). Since utilities do not earn a return on plant until the plant is placed in service and, therefore, becomes part of rate base in a general rate case (GRC), the purpose of AFUDC is to recognize the time value of money for the capital investors commit to a project during the construction phase. When a project is completed, AFUDC is capitalized and transferred to plant-in-service.

Q. Why does Avista owe customers this money?

A. For tax purposes, Avista was required to recalculate capitalized AFUDC using the Federal Energy Regulatory Commission (FERC) rate instead of the commission-authorized rate of return (ROR). Since the FERC rate was lower than the Company's authorized ROR, recalculating AFUDC using the FERC rate had the effect of decreasing the amount of deferred tax expense that Avista was recording. Due to the accounting change, the level of deferred tax expense embedded in Avista's rates was suddenly too high. In Dockets UE-190074 and UG-190075, Avista requested deferred accounting treatment for the amount being over-collected from customers so that the Company could later refund those amounts.

The deferral balance owed to customers reflects amounts over-collected between January 1, 2010, and March 31, 2020.[13]

[13] The level of deferred tax expense built into Avista's rates was corrected through the Company's 2019 GRC, with the rates that went into effect on April 1, 2020.

Q. How does recalculating AFUDC using the FERC rate impact Avista's deferred tax expense?

A. By changing from use of the Commission-authorized ROR to using the FERC rate when calculating AFUDC, Avista's tax expense decreased. FERC recommended the Company use the flow-through accounting method for deferred income taxes related to the equity portion of AFUDC. Avista deferred the tax benefit generated by the recalculation of the equity portion of AFUDC.

However, the Commission does not need to concern itself with accounting details in this case. It already addressed the accounting in Dockets UE-190074 and UG-190075, and the tax expense embedded in rates was corrected through Avista's 2019 GRC. All that is germane to the current case is that there is a balance owed to customers.

Q. Why does Avista record AFUDC on its regulatory books using the Company's authorized rate of return if it is required to record AFUDC for tax purposes using the FERC rate?

A In short, because the Commission has authorized Avista to do so, though largely through approval of settlement agreements. For example, in Avista's 2011 and 2014 GRCs the Commission approved settlement agreements that identified a specific ROR to use for calculating AFUDC.[14] Although settling parties in those cases did

[14] *See Wash. Utils. & Transp. Comm'n,* Dockets UE-110876 & UG-110877, Order 06, 6, ¶ 12 (Dec. 16, 2011) ("The parties agreed in the Settlement to a 7.62 percent ROR for use in booking AFUDC expenses. …"); *Wash. Utils. & Transp. Comm'n,* Dockets UE-140188 & UG-140189, Order 05, 21, ¶ 52 (Nov. 25, 2014) ("the parties have agreed to a 7.32 percent ROR for certain purposes including the determination of Allowance for Funds Used During Construction (AFUDC).").

not reach agreement on the individual components of cost of capital,[15] the settlement agreements (and the Commission's orders approving the settlement agreements) made a clear connection between ROR and the calculation of AFUDC.

Q. Did Avista propose returning these amounts to ratepayer in this rate case?

A. No. Avista claims that not including it in this case was an oversight.

Q. Should Avista start returning these amounts to ratepayers when rates are implemented at the close of this proceeding?

A. Yes. Staff recommends the Commission order Avista to return the balances to ratepayers over 12 months on electric and natural gas Schedules 76 and 176, respectively.

The grossed-up amounts to be returned to customers are approximately $2.3 million for electric operations and $0.7 million for natural gas operations.

D. OVERALL RATE IMPACTS FOR SCHEDULES 76 AND 176

Q. What are Staff's proposed rates for electric Schedule 76 and natural gas Schedule 176?

A. Staff's proposed rates for Schedules 76/176 reflect the combined impact of (a) returning unprotected EDIT amounts over one year, (b) returning unprotected ADFIT amounts over the lives of the underlying assets, and (c) returning the

[15] *Id.*

AFUDC-related tax refund over one year. The combined effect of these three items is a rate year credit of approximately $14.6 million for electric customers and approximately $6.6 million for natural gas customers. Staff's calculation of the combined revenue requirement impact of the proposed refunds are shown in Exh. BAE-7.[16] The total refund amounts for year one from Exh. BAE-7 are spread in Exh. BAE-8 based on allocated rate base because that is how the amounts were collected from customers.

Q. Does this conclude your testimony?

A. Yes.

[16] Erdahl, Exh. BAE-7 at 1, line 64.